

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Unionville	County Tuscola
Audit Date 3/31/05	Opinion Date 5/23/05	Date Accountant Report Submitted to State: 9/12/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Nietzke & Faupel P.C.			
Street Address 41 East Main Street	City Sebewaing	State MI	ZIP 48759
Accountant Signature <i>JoAnn E. Lakie</i> JoAnn E. Lakie		Date 9/12/05	

**VILLAGE OF UNIONVILLE
UNIONVILLE, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2005**

VILLAGE OF UNIONVILLE, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	i - ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii - viii
BASIC FINANCIAL STATEMENTS	1
Government-Wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds	4
Reconciliation of Governmental Fund Balances to Governmental Activities Net Assets	5
Statement of Revenue, Expenditures and Change in Fund Balances – Governmental Funds	6
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Net Assets – Proprietary Funds	8 - 9
Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary funds	10
Statement of Cash Flows – Proprietary Funds	11 - 12
Notes to the Financial Statements	13 - 23
REQUIRED SUPPLEMENTARY INFORMATION	24
Budgetary Comparison Schedule – General Fund	25
Budgetary Comparison Schedule – Major Street Fund	26
Budgetary Comparison Schedule – Local Street Fund	27

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VILLAGE OF UNIONVILLE, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)	
Budgetary Comparison Schedule – Municipal Street	28
ADDITIONAL INFORMATION	29
Special Revenue Funds: Combining Balance Sheet	30
Combining Statement of Revenue, Expenditures and Change in Fund Balance	31
Major Street Fund: Statement of Revenue, Expenditures and Change In Fund Balance – Budget and Actual	32
Local Street Fund: Statement of Revenue, Expenditures and Change in Fund Balance – Budget and Actual	33
Municipal Street Fund: Statement of Revenue, Expenditures and Change In Fund Balance – Budget and Actual	34
General Fund – Schedule of Revenue	35
General Fund – Schedule of Expenditures	36 – 38
Major Street Fund – Schedule of Expenditures	39
Local Street Fund – Schedule of Expenditures	40
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	41 - 42

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ALLAN W. NIETZKE, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Village Council
Village of Unionville
Unionville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Unionville, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Unionville, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Unionville, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2005, on our consideration of Village of Unionville, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

REPORT OF INDEPENDENT AUDITORS

The management's discussion and analysis and budgetary comparison information on pages iii through viii and 26 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Unionville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

May 23, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Village of Unionville presents to readers of the Village's financial statements this narrative financial information. It contains an objective overview and analysis of the financial position of the Village as of and for the year ended March 31, 2005. As management of the Village, we encourage readers to consider information contained in this discussion and the Village's financial statements, which follows this section.

Financial Highlights

- The Village's assets exceeded its liabilities at the end of the fiscal year by \$2,528,784.
- Net assets increased by a total of \$37,971, or by approximately 1.5% of last year's total net assets of \$2,490,813.
- The fund balance of the Village's General Fund increased by \$3,365. The fund balance for the other Governmental Funds (Major Street, Local Street, and Municipal Street Funds) increased by \$19,418.
- Significant expenditures for the year ended March 31, 2005 were road construction for Major Streets \$17,408 and Local Streets \$16,497. Major general fund expenditures were \$20,829 for park improvements.

Financial Statements Overview

This Management Discussion and Analysis serves to introduce to the reader of the Village of Unionville's essential financial statements. These financial statements consist of three components as follows:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The above financial information will provide the reader with a general understanding of the Village's current financial condition. Also, this report contains supplementary information in addition to the basic financial statements which provides a more detailed understanding of the Village's finances.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to private sector businesses.

The **Statement of Net Assets** presents information on all of the assets and liabilities of the Village, with the difference between the two identified as net assets. Over a given period of time increases or decreases in net assets can serve as a useful indicator of improving or declining financial position of the Village.

The **Statement of Activities** show changes in net assets that occurred during the most recent fiscal year. These changes were recorded on an accrual basis, which distinguishes between the time when a financial transaction occurs and when payment is actually made. An example of accrual accounting is when debt interest payments are scheduled between the fiscal year end. The Statement of Activities will show additional interest expense for the time period between the last interest payment and the end of the fiscal year as an accrual.

(Continued)

The Government-wide Financial Statement, in addition to the Statement of Activities, is broken down into two Activities; Governmental Activities and Business-Type Activities. Governmental activities are primarily supported through tax and intergovernmental revenue. Business-type activities are primarily supported through user fees and charges.

Governmental activities for the Village of Unionville include general governmental functions, such as Administration, Village Buildings and Grounds (General government); Police and Fire (Public safety); Major Street, Local Street, Municipal Street, Public Works and Park (Highways and public improvements). Business-type activities include the Sewer and Water systems.

Fund Financial Statements

A fund is a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The Village of Unionville uses fund accounting to demonstrate compliance with legal financial requirements, like all state and local governments. All Village Funds can be categorized as either governmental or proprietary funds.

Governmental Funds account for essentially the same activities as the Governmental Activities in the Government-wide financial statements, but with a narrower focus. Governmental Funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the Government-wide statements for the Governmental Activities with that presented in Governmental Funds statements can provide useful information because the different focus to the two approaches. With the long-term focus of the Government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. To aid in the comparison, both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures and changes in fund balance show reconciliation between the Governmental Funds statements to the Governmental Activities in the Government-wide statements.

The Village of Unionville uses four different individual Governmental Funds. The Village considers all the funds to be major funds of the Village of Unionville. The funds are presented separately in the Fund Financial Statements. The Village adopts an annual appropriated budget for all its Governmental Funds.

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds include enterprise funds and an internal service fund. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. The Internal Service Fund is used to report activities that provide goods or services to other funds or departments of the Village.

The Enterprise Funds maintained by the Village of Unionville include the sewer and water funds. The Village uses the Internal Service Fund to account for vehicles, and equipment activities. Because they charge fees and charges to outside users of their systems, the Enterprise Funds are included in the Business-type Activities column of the government-wide financial statements. The Internal Service Fund, which accounts for equipment and vehicles that support the Village functions, is included under the Governmental Activities column.

Proprietary Funds present the same information as in government-wide statements, except in more detail. The fund statements for proprietary funds provide separate information for the Sewer and Water funds which are considered to be major funds of the Village of Unionville.

The basic proprietary fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements contain additional financial information to give the reader a complete understanding of the information contained in the government-wide and fund financial statements. Although these Notes provide detailed explanation and information related to the financial statements, this information is typically easy for the reader to follow. Notes to the Financial Statements are located after the financial statements as listed in the table of contents.

Other Information

The combining and individual fund statements and schedules are presented as additional information as listed in the table of contents.

Government-wide Financial Analysis

This is the first year the Village of Unionville has produced government-wide financial statements. As such, data for fiscal year ending March 31, 2004 related to governmental activities is unavailable.

VILLAGE OF UNIONVILLE'S NET ASSETS March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets	\$404,851	\$ 215,256	\$ 620,107
Capital assets	282,852	2,271,148	2,554,000
Restricted and other assets	<u>35,066</u>	<u>71,689</u>	<u>106,755</u>
Total assets	<u>\$722,769</u>	<u>\$2,558,093</u>	<u>\$3,280,862</u>
Current liabilities	\$ 8,024	\$ 9,119	\$ 17,143
Long-term liabilities		<u>734,935</u>	<u>734,935</u>
Total liabilities	\$ <u>8,024</u>	\$ <u>744,054</u>	\$ <u>752,078</u>
Net assets:			
Invested in capital assets, net of related debt	\$282,852	\$1,536,213	\$1,819,065
Restricted	35,066	59,480	94,546
Unrestricted	<u>396,827</u>	<u>218,346</u>	<u>615,173</u>
Total net assets	<u>\$714,745</u>	<u>\$1,814,039</u>	<u>\$2,528,784</u>

(Continued)

As shown in the Statement of Net Assets provided, the largest portion, by far of the Net Assets of the Village of Unionville is its investment in capital assets. The Village of Unionville uses these capital assets to provide essential services to citizens who live, work or visit the Village. These assets, by design, are not available for future spending. Additionally, even though these capital assets are reported net of any related debt, resources needed to repay this debt must come from other sources, as these assets cannot be used to satisfy their related obligations.

Activities, Governmental and Business-Type

Net assets of Governmental Activities increased by \$54,598 for the year ended March 31, 2005. This is approximately a 8.2% change from beginning net assets. The increase is due to capitalization of capital assets and a current park improvement project. The park improvement project expended \$11,227 for planning, development and sources of funding, this amount is capitalized as construction in progress in the governmental activities statement of net assets.

Net assets of Business-type Activities decreased by \$16,627 for the year ended March 31, 2005. The amount of change is not significant as it is approximately .9% of beginning net assets.

VILLAGE OF UNIONVILLE'S CHANGES IN NET ASSETS For the year ended March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 31,232	\$ 122,984	\$154,216
General revenues:			
Property taxes	105,333		105,333
State shared revenue	133,615		133,615
Unrestricted investment earnings	3,898	5,138	9,036
Miscellaneous	<u>18,243</u>	<u>25,000</u>	<u>43,243</u>
Total revenue	<u>292,321</u>	<u>153,122</u>	<u>445,443</u>
Expenses:			
General government	55,420		55,420
Public safety	49,651		49,651
Highways and public improvements	100,202		100,202
Sanitation	32,450		32,450
Sewer		88,921	88,921
Water		<u>80,828</u>	<u>80,828</u>
Total expenses	<u>237,723</u>	<u>169,749</u>	<u>407,472</u>
Change in net assets	<u>54,598</u>	<u>(16,627)</u>	<u>37,971</u>
Net assets – Beginning	<u>660,147</u>	<u>1,830,666</u>	<u>2,490,813</u>
Net assets - Ending	<u>\$714,745</u>	<u>\$1,814,039</u>	<u>\$2,528,784</u>

(Continued)

Financial Analysis of Village of Unionville's Funds

The Village of Unionville's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources and the unreserved portion of this total is a measure of the available spendable resources as of March 31, 2005.

For the year ended March 31, 2005, the Village's governmental funds reported a combined fund balance amount of \$426,696 of this amount \$35,066 is reserved for future public safety equipment and storm sewers. The fund balance increase for the current fiscal year was \$22,783.

General Fund Budgetary Highlights

A major difference in the original budget versus the actual budget was the cost of the storm sewer project. The general fund budget increased by \$13,895.

Capital Asset and Debt Administration

The Village of Unionville's investment, net of related debt, in capital assets for its governmental and business-type activities combined totaled \$1,819,065. The types of assets in this category are land, buildings, machinery and equipment, park and recreation equipment, roads and sewer collection system and water supply system. The Village's investment in capital assets equals over seventy-two percent (72%) of total net assets.

VILLAGE OF UNIONVILLE'S CAPITAL ASSETS

March 31, 2005

	Governmental Activities	Business Type Activities	Total
Land	\$161,878	\$ 155,532	\$ 317,410
Buildings	163,463	1,733	165,196
Equipment	220,558		220,558
Roads and sidewalks	40,937		40,937
Water system		909,245	909,245
Sewer system		2,379,109	2,379,109
Construction in progress	11,227	31,003	42,230
Accumulated depreciation	(315,211)	(1,205,474)	(1,520,685)
Net book value	<u>\$282,852</u>	<u>\$2,271,148</u>	<u>\$2,554,000</u>

The Village of Unionville's debt consists of a general obligation enterprise bond (\$335,000), and water supply system revenue bonds (\$399,935). Normal payments of principal and interest in accordance with the associated debt service schedules were made during the fiscal year.

Economic Factors and Future Budget Issues

The fiscal year budget for 2005-06 is at \$601,230, which is \$24,685 more than the 2004-05 fiscal year of \$576,545. Even though the Village has noticed a slight decline in the economy caused by the closing of Tower Automotive in Sebawaing, a decision was made to use some reserved funds to continue projects already in the works.

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The Village is in the process of preparing a new well for emergency back-up use. This will give the Village three workable wells.

The Village has applied for a DNR grant for construction of a walking and biking path around the perimeter of the park. This action is part of a 5-year park development plan prepared by Spicer Engineering.

Spicer Engineering has also completed a study of the storm sewer system within the Village. As the cost for this project was more than anticipated, funds will be put aside each year until enough has been accumulated to match funds for a grant.

The Village is also in the process of obtaining a 1994 Ford Dump Truck to replace an older model now being used.

Requests for Information

This financial report is designed to give the reader a basic understanding of the Village of Unionville's finances. Any questions or requests for financial information contained in this report may be obtained by contacting the Village Clerk, Village of Unionville, 6454 Merry Street, Unionville, Michigan 48767.

BASIC FINANCIAL STATEMENTS

VILLAGE OF UNIONVILLE, MICHIGAN

STATEMENT OF NET ASSETS MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 394,091	\$ 162,750	\$ 556,841
Accounts receivable	9,032	2,064	11,096
Accrued interest receivable		2,953	2,953
Special assessment receivable		10,833	10,833
Connection charges receivable		38,384	38,384
Internal balances	1,728	(1,728)	-
Nondepreciated capital assets	161,878	155,532	317,410
Capital assets	424,958	3,290,087	3,715,045
Less accumulated depreciation	(315,211)	(1,205,474)	(1,520,685)
Construction in progress	11,227	31,003	42,230
Restricted assets:			
Cash - Storm sewer	17,517		17,517
Cash - Police equipment	17,549		17,549
Cash - Debt retirement		48,388	48,388
Cash - Maintenance & improvements		11,092	11,092
Deferred charges - bond issue costs		12,209	12,209
TOTAL ASSETS	<u>\$ 722,769</u>	<u>\$ 2,558,093</u>	<u>\$ 3,280,862</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 1,512	\$ 658	\$ 2,170
Accrued payroll taxes	1,695		1,695
Accrued interest payable		8,461	8,461
Payable out of restricted assets:			
Water supply system bonds		399,935	399,935
General obligation bonds		335,000	335,000
Compensated absences	4,817		4,817
Total liabilities	<u>8,024</u>	<u>744,054</u>	<u>752,078</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	282,852	1,536,213	1,819,065
Restricted for:			
Debt service and improvements		59,480	59,480
Storm sewer	17,517		17,517
Police equipment	17,549		17,549
Unrestricted	<u>396,827</u>	<u>218,346</u>	<u>615,173</u>
Total net assets	<u>\$ 714,745</u>	<u>\$ 1,814,039</u>	<u>\$ 2,528,784</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF UNIONVILLE, MICHIGAN

STATEMENT OF ACTIVITIES
MARCH 31, 2005

	PROGRAM REVENUES			NET (EXPENSE) REVENUE & CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
Governmental activities							
General government	\$ 55,420				\$ (55,420)		\$ (55,420)
Public safety	49,651				(49,651)		(49,651)
Highways and public improvements	100,202				(100,202)		(100,202)
Sanitation	32,450	\$ 31,232			(1,218)		(1,218)
Total governmental activities	237,723	31,232	-	-	(206,491)		(206,491)
Business-Type Activities							
Water	80,828	76,149				\$ (4,679)	(4,679)
Sewer	88,921	46,835				(42,086)	(42,086)
Total business-type activities	169,749	122,984	-	-	-	(46,765)	(46,765)
Total Government	\$ 407,472	\$ 154,216	\$ -	\$ -	(206,491)	(46,765)	(253,256)
General Revenue:							
Property taxes					105,333		105,333
State shared revenues					133,615		133,615
Unrestricted investment earnings					3,898	5,138	9,036
Miscellaneous					18,243	25,000	43,243
Total general revenues					261,089	30,138	291,227
Change in net assets					54,598	(16,627)	37,971
Net assets - beginning					660,147	1,830,666	2,490,813
Net assets - ending					\$ 714,745	\$ 1,814,039	\$ 2,528,784

VILLAGE OF UNIONVILLE, MICHIGAN

**BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2005**

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash	\$ 177,887	\$ 124,293	\$ 63,738	\$ 19,442	\$ 385,360
Accounts receivable - other	609	5,370	3,053		9,032
Restricted assets:					
Cash - Storm sewer	17,517				17,517
Cash - Police equipment	17,549				17,549
TOTAL ASSETS	<u>\$ 213,562</u>	<u>\$ 129,663</u>	<u>\$ 66,791</u>	<u>\$ 19,442</u>	<u>\$ 429,458</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Accounts payable	\$ 1,067				\$ 1,067
Accrued payroll withholdings	1,695				1,695
Total liabilities	<u>2,762</u>				<u>2,762</u>
Fund equity:					
Fund balance					
Restricted	35,066				35,066
Unrestricted	175,734	\$ 129,663	\$ 66,791	\$ 19,442	391,630
Total fund equity	<u>210,800</u>	<u>129,663</u>	<u>66,791</u>	<u>19,442</u>	<u>426,696</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 213,562</u>	<u>\$ 129,663</u>	<u>\$ 66,791</u>	<u>\$ 19,442</u>	<u>\$ 429,458</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
MARCH 31, 2005**

Total governmental fund balances	\$ 426,696
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$598,063 less the accumulated depreciation of \$315,211	282,852
Internal service fund is not included in the governmental funds.	10,015
Compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,817)
Net assets - governmental activities	<u>\$ 714,745</u>

VILLAGE OF UNIONVILLE, MICHIGAN
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:					
Taxes	\$ 89,035		\$ 3,284	\$ 13,014	\$ 105,333
Intergovernmental	70,610	\$ 45,953	17,052		133,615
Miscellaneous	51,506	1,192	360	315	53,373
TOTAL REVENUE	<u>211,151</u>	<u>47,145</u>	<u>20,896</u>	<u>13,329</u>	<u>292,321</u>
EXPENDITURES:					
Council	1,660				1,660
Mayor	180				180
Clerk	5,215				5,215
Treasurer	3,694				3,694
Building and grounds	13,761				13,761
Unallocated	9,820				9,820
Police department	32,690				32,690
Fire protection	11,438				11,438
Department of public works	40,445				40,445
Street lighting	10,612				10,612
Sanitation	32,450				32,450
Recreation and parks	27,578				27,578
Fringe benefits	6,641				6,641
Insurance and bonds	13,602				13,602
Streets		30,504	29,248		59,752
TOTAL EXPENDITURES	<u>209,786</u>	<u>30,504</u>	<u>29,248</u>		<u>269,538</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>1,365</u>	<u>16,641</u>	<u>(8,552)</u>	<u>13,329</u>	<u>22,783</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	10,000		20,754		30,754
Operating transfers out	(8,000)	(7,504)		(15,250)	(30,754)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,000</u>	<u>(7,504)</u>	<u>20,754</u>	<u>(15,250)</u>	<u>-</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES):	<u>3,365</u>	<u>9,137</u>	<u>12,202</u>	<u>(1,921)</u>	<u>22,783</u>
FUND BALANCE-APRIL 1	<u>207,435</u>	<u>120,526</u>	<u>54,589</u>	<u>21,363</u>	<u>403,913</u>
FUND BALANCE-MARCH 31	<u>\$210,800</u>	<u>\$129,663</u>	<u>\$ 66,791</u>	<u>\$ 19,442</u>	<u>\$426,696</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
MARCH 31, 2005**

Net change in fund balances - governmental funds **\$ 22,783**

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, assets with an initial, individual cost of more than
\$1,000 are capitalized and the cost is allocated over their estimated useful
lives and reported as depreciation expense. This is the amount by which
capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 53,414	
Depreciation expense	<u>(13,782)</u>	39,632

The net revenue of certain activities of internal service fund is reported with
governmental activities. (3,000)

Compensated absences are treated as expenses in the statement of activities (4,817)

Change in net assets of governmental activities **\$ 54,598**

VILLAGE OF UNIONVILLE, MICHIGAN

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
MARCH 31, 2005**

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL</u>
	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>	<u>ACTIVITIES</u> <u>INTERNAL</u> <u>SERVICE FUND</u>
<u>ASSETS</u>				
Current assets:				
Cash	\$ 120,517	\$ 42,233	\$ 162,750	\$ 8,732
Accounts receivable	1,212	852	2,064	
Special assessment receivable - Current		1,560	1,560	
Connection charges receivable - Current		5,551	5,551	
Accrued interest receivable		2,953	2,953	
Total current assets	<u>121,729</u>	<u>53,149</u>	<u>174,878</u>	<u>8,732</u>
Noncurrent:				
Capital assets	970,107	2,506,515	3,476,622	118,910
Less accumulated depreciation	<u>(269,686)</u>	<u>(935,788)</u>	<u>(1,205,474)</u>	<u>(107,948)</u>
Total noncurrent assets	<u>700,421</u>	<u>1,570,727</u>	<u>2,271,148</u>	<u>10,962</u>
Other assets:				
Special assessment receivable - Long-term		9,273	9,273	
Connection charges receivable - Long-term		32,833	32,833	
Deferred charges-Bond issue costs	9,672	2,537	12,209	
Restricted assets:				
Cash - Debt retirement	20,800	27,588	48,388	
Cash - Maintenance & Improvements	<u>11,092</u>		<u>11,092</u>	
Total other assets	<u>41,564</u>	<u>72,231</u>	<u>113,795</u>	
TOTAL ASSETS	<u>\$ 863,714</u>	<u>\$ 1,696,107</u>	<u>\$ 2,559,821</u>	<u>\$ 19,694</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
MARCH 31, 2005**

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL</u>	
	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>	<u>ACTIVITIES</u>	<u>INTERNAL</u>
				<u>SERVICE FUND</u>	
<u>LIABILITIES</u>					
Current liabilities:					
Payable from current assets:					
Accounts payable	\$ 499	\$ 159	\$ 658	\$	445
Accrued interest payable	6,854	1,607	8,461		
Payable out of restricted assets:					
Bonds payable - Current portion	5,000	25,000	30,000		
Total current	12,353	26,766	39,119		445
Noncurrent:					
General obligation bonds payable		310,000	310,000		
Revenue bonds payable	394,935		394,935		
Total noncurrent liabilities	394,935	310,000	704,935		
Total liabilities	407,288	336,766	744,054		445
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	300,486	1,235,727	1,536,213		10,962
Restricted for:					
Debt service and improvements	31,892	27,588	59,480		
Unrestricted	124,048	96,026	220,074		8,287
Total net assets	\$ 456,426	\$ 1,359,341	1,815,767		\$ 19,249
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			(1,728)		
Net assets of business-type activities					\$ 1,814,039

VILLAGE OF UNIONVILLE, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET
ASSETS - PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2005**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>	
OPERATING REVENUE:				
Charges for services	\$ 76,021	\$ 20,516	\$ 96,537	\$ 15,785
OPERATING EXPENSES:				
Salaries and wages	17,904	10,123	28,027	9,588
Employers FICA tax	1,393	741	2,134	710
Health Insurance	2,126	1,626	3,752	2,251
Accounting	251	401	652	251
Gas and oil	-	-	-	2,325
Operating supplies	2,226	123	2,349	
Contracted services	-	-	-	
Insurance	1,632	2,352	3,984	
Utilities	3,437	1,416	4,853	
Repairs and maintenance	614	933	1,547	2,329
Equipment rental	3,276	2,494	5,770	
Miscellaneous	2,537	960	3,497	247
Depreciation	22,615	47,954	70,569	2,812
TOTAL OPERATING EXPENSES	58,010	69,122	127,133	20,512
OPERATING INCOME (LOSS)	18,011	(48,607)	(30,595)	(4,727)
NONOPERATING REVENUE (EXPENSES) :				
Connection charges	128	1,000	1,128	
Interest income	1,224	(132)	1,092	354
Interest income - Restricted	129	3,917	4,047	
Charges for services - Restricted		25,319	25,319	
Settlement agreement installment		25,000	25,000	
Interest expense	(21,549)	(18,856)	(40,405)	
Amortization of bond issue costs	(289)	(195)	(484)	
TOTAL NONOPERATING REVENUE (EXPENSE)	(20,356)	36,052	15,696	354
CHANGE IN NET ASSETS	(2,345)	(12,554)	(14,899)	(4,373)
TOTAL NET ASSETS - BEGINNING	458,771	1,371,895		23,622
TOTAL NET ASSETS - ENDING	\$ 456,426	\$ 1,359,341		\$ 19,249
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			(1,728)	
Changes in net assets of business-type activities			\$ (16,627)	

VILLAGE OF UNIONVILLE, MICHIGAN

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2005**

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 76,165	\$ 47,259	\$ 123,424	
Receipts from interfund services				\$ 15,785
Payments to suppliers of goods and services	(10,555)	(6,144)	(16,699)	(4,706)
Payments to interfund services	(3,276)	(2,494)	(5,770)	
Payments to employees	(17,903)	(10,123)	(28,026)	(9,588)
Payments for fringe benefits	(3,519)	(2,367)	(5,886)	(2,961)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>40,912</u>	<u>26,131</u>	<u>67,043</u>	<u>(1,470)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from settlement agreement		25,000	25,000	
Special assessments received		7,787	7,787	
Increase in construction in progress	(6,003)		(6,003)	
Bond principal payment	(6,180)	(20,000)	(26,180)	
Interest and fees paid on bonds	(18,136)	(17,250)	(35,386)	
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(30,319)</u>	<u>(4,463)</u>	<u>(34,782)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	1,354	4,252	5,605	354
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,354</u>	<u>4,252</u>	<u>5,605</u>	<u>354</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	<u>11,947</u>	<u>25,920</u>	<u>37,867</u>	<u>(1,116)</u>
CASH AND RESTRICTED CASH - APRIL 1	140,462	43,901	184,363	9,848
CASH AND RESTRICTED CASH - MARCH 31	<u>\$ 152,409</u>	<u>\$ 69,821</u>	<u>\$ 222,230</u>	<u>\$ 8,732</u>
Cash Reconciliation:				
Cash	\$ 120,517	\$ 42,233	\$ 162,750	\$ 8,732
Restricted cash	31,892	27,588	59,480	
Total	<u>\$ 152,409</u>	<u>\$ 69,821</u>	<u>\$ 222,230</u>	<u>\$ 8,732</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2005**

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 18,012	\$ (48,607)	\$ (30,595)	(4,727)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	22,615	47,954	70,569	2,812
Hook-up fee	128	1,000	1,128	
Charges for services		25,319	25,319	
(Increase) decrease in current assets:				
Accounts receivable	16	424	440	
Increase (decrease) in current liabilities:				
Accounts payable	141	41	182	445
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 40,912</u>	<u>\$ 26,131</u>	<u>\$ 67,043</u>	<u>\$ (1,470)</u>

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Village's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village has elected to implement the general provisions of the Statement in the current year.

Reporting Entity:

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Excluded from the reporting entity:

Unionville-Sebewaing School District - This potential component unit has a separate elected board and provides educational services to residents of the local area. The School District is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Akron, Columbia, Wisner and Village of Unionville Fire Department - This potential component unit has a separate elected board and provides fire protection for Akron, Columbia, and Wisner Townships and the Village of Unionville. The Fire Department is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Government Wide and Fund Financial Statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's public safety and general administrative services are classified as governmental activities. The Village sewer system is classified as a business-type activity.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Major Street Fund and the Local Street Fund are special revenue funds used to account for revenue from State Revenue Sharing. The Municipal Street Fund is a special revenue fund used to account for revenue from a special tax assessed for street and sidewalk maintenance.

The Village reports the following major proprietary funds:

The Sewer Fund is used to account for the sewer operations in the Village and the Water Fund provides water to residents of the Village.

Additionally, the Village reports the following nonmajor fund type:

Internal Service Funds (Equipment Rental Fund) - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise funds and the Village's internal service fund are charges to customers for use of the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting:

The Village Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to March 31, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with actual data for the preceding year. The Village Clerk submits the budget in summary form. In addition, more detailed line item budgets are

(CONTINUED)

VILLAGE OF UNIONVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Budgets and Budgetary Accounting: (Continued)

included for administrative control. The level of control for the detailed budgets is at the department head/function level.

2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse at the end of each fiscal year.
7. The Village Council may authorize supplemental appropriations during the year. The budget was amended throughout the year at regular Village Council meetings.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposit.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at March 31, 2005 consist of billings for user charged services, including utility services.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 15. The Village bills and collects its own property taxes. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition – Property Taxes).

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions GASB 34. The Village has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets. The Village will not retroactively capitalize the major infrastructure assets acquired on or before March 31, 2004 as permitted by GASB 34.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10 to 50
Buildings	25 to 50
Office equipment	5 to 10
Machinery and equipment	5 to 10
Vehicles	5
Improvements other than buildings	15 to 20

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2005, was \$16,594. Capital asset acquisitions in the governmental funds totaled \$53,414 for the year ended March 31, 2005. A summary of Governmental Fund Capital assets at March 31, 2005, follows:

Land	\$161,878
Buildings	163,463
Equipment	101,648
Internal Service Fund assets	118,910
Construction in Progress - Park	11,227
Roads and sidewalks	<u>40,937</u>
Total capital assets	598,063
Less accumulated depreciation	<u>(315,211)</u>
Net Governmental Fund Capital Assets	<u>\$282,852</u>

VILLAGE OF UNIONVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended March 31, 2005, was \$70,569. There were no capital asset acquisitions or disposals in the business-type funds for the year ended March 31, 2005. A summary of Business-Type Fund capital assets at March 31, 2005, follows:

Land	\$ 155,532
Buildings	1,733
Water system	909,245
Sewer system	2,379,109
Construction in progress – well	31,003
Total capital assets	3,476,622
Less accumulated depreciation	(1,205,474)
Net Business-Type Capital Assets	<u>\$2,271,148</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,097
Public safety	5,523
Highways and public improvement	6,162
Equipment rental service	2,812
Total depreciation expense – governmental activities	<u>\$16,594</u>
Business-type activities:	
Utility services	<u>\$70,569</u>

Compensated Absences:

The Village's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

Long-term Debt:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(CONTINUED)

VILLAGE OF UNIONVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Long-term Debt: (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGET COMPLIANCE:

During the year ended March 31, 2005, the following expenditures were in excess of the amount appropriated for the year:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
MAJOR STREET:			
Operating transfer out	\$ 6,750	\$ 7,504	\$ 754
LOCAL STREET:			
Construction	\$10,000	\$16,497	\$6,497

NOTE 3 – CASH AND DEPOSITS:

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in

(CONTINUED)

VILLAGE OF UNIONVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 3 – CASH AND DEPOSITS: (CONTINUED)

which the principal and interest is fully guaranteed by the United States. The Village's deposits and investments are within the authorization as set forth by the Village of Unionville.

The carrying amount of cash and deposits with financial institutions of the Village of Unionville amounted to \$651,387 at March 31, 2005. The total bank balance as of the same date was \$660,526.

Deposits with financial institutions are categorized as follows:

Amount insured by the NCIU	\$113,349
Amount insured by the FDIC	375,915
Uncollateralized	<u>171,262</u>
Total deposits with financial institutions	<u>\$660,526</u>

The cash and deposits include restricted cash in the amount of \$48,388 for bond debt retirement, \$11,092 for water construction project and maintenance, \$17,549 for the police car sinking fund, and \$17,517 for storm sewer project.

All deposits categorized as uncollateralized are the property of the Village of Unionville.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2005.

NOTE 4 – RESTRICTED ASSETS:

Special assessment proceeds, unpaid balances and accrued interest and 58.75% of customer charges for services are restricted for payment of sewer general obligation bonds.

NOTE 5 – LONG-TERM DEBT:

General Obligation Enterprise Bonds - The Sewer Fund provides the annual debt service requirement on certain general obligation enterprise bonds issued to finance construction of a new sewer system. Since the Sewer Fund provides the annual debt service on these general obligation enterprise bonds, the bonds are considered to be obligations of the Sewer Fund and have been reported on the balance sheet of the Sewer Fund.

Although the general obligation enterprise bonds are reported on the balance sheet of the Sewer Fund, they are backed by the full faith and credit of the Village and are, therefore, a contingent liability to the general government.

General obligation enterprise bonds were issued for payment of the local share of sewer construction costs. The total bond issue was for \$750,000. The bonds bear interest at the rate of 5% per annum. Interest is payable on April 1 and October 1 of each year. Principal payments are payable October 1 of each year. Debt service requirements are as follows:

(CONTINUED)

VILLAGE OF UNIONVILLE, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2005

NOTE 5 – LONG-TERM DEBT: (CONTINUED)

<u>YEAR ENDING MARCH 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 25,000	\$ 16,125	\$ 41,125
2007	25,000	14,875	39,875
2008	25,000	13,625	38,625
2009	25,000	12,375	37,375
2010	25,000	11,125	36,125
2011-15	140,000	35,750	175,750
2016-18	70,000	4,250	74,250
TOTALS	<u>\$335,000</u>	<u>\$108,125</u>	<u>\$443,125</u>

Water Supply System Revenue Bond, Series B:

The Village of Unionville received two separate bond issues for the construction of the water improvement project. The bonds are single, fully-registered, non-convertible bonds. The first series of Series B bonds was issued under Ordinance No. 141 in the amount of \$267,000. The second series of Series B bonds was issued under Ordinance No. 142 in the amount of \$204,000.

The principal and interest payments shall be payable out of net revenues derived from user fees. The bonds bear interest at the rate of 4.5% per annum. Interest is payable on June 1 and December 1 of each year. Principal payments are payable June 1 of each year. The bonds are serial bonds and are issued in chronological order. The following is a schedule of payments for each bond:

SERIES B BOND #2 ISSUE AMOUNT \$267,000:

<u>YEAR ENDING MARCH 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 3,000	\$ 9,429	\$ 12,429
2007	4,000	9,272	13,272
2008	4,000	9,092	13,092
2009	4,000	8,912	12,912
2010	4,000	8,732	12,732
2011-15	27,000	40,304	67,304
2016-20	35,000	33,375	68,375
2021-25	40,000	24,760	64,760
2026-30	50,000	14,635	64,635
2031-35	<u>40,025</u>	<u>3,608</u>	<u>43,633</u>
	<u>\$211,025</u>	<u>\$162,119</u>	<u>\$373,144</u>

(CONTINUED)

VILLAGE OF UNIONVILLE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 5 – LONG-TERM DEBT: (CONTINUED)

SERIES B BOND #3 ISSUE AMOUNT \$204,000

YEAR ENDING

<u>MARCH 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 2,000	\$ 8,455	\$ 10,455
2007	3,000	8,343	11,343
2008	3,000	8,208	11,208
2009	3,000	8,073	11,073
2010	3,000	7,938	10,938
2011-15	17,000	37,530	54,530
2016-20	21,000	33,211	54,211
2021-25	27,000	27,901	54,901
2026-30	33,000	21,151	54,151
2031-35	42,000	12,711	54,711
2036-38	<u>34,910</u>	<u>2,575</u>	<u>37,485</u>
	<u>\$188,910</u>	<u>\$176,096</u>	<u>\$365,006</u>

NOTE 6 - CONTINGENT LIABILITIES:

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. The contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

NOTE 7 - SETTLEMENT AGREEMENT:

A settlement agreement between the Village of Unionville, plaintiff, and Edmands Engineering, Inc., M & B Contracting Corporation, Staff Industries Inc., and Insurance Company of North America, defendants, was signed April 12, 1990. The total settlement amounted to \$260,000. The remaining payment will be made to the Village of Unionville on December 30, 2009 in the amount of \$150,000.

NOTE 8 - RISK MANAGEMENT:

The Village of Unionville purchased commercial insurance coverage for property, general liability, medical insurance for employees, and coverage for losses related to worker's compensation claims.

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF UNIONVILLE, MICHIGAN
GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES	\$ 217,828	\$ 217,828	\$ 211,151	\$ (6,677)
EXPENDITURES	281,970	287,865	209,786	78,079
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(64,142)</u>	<u>(70,037)</u>	<u>1,365</u>	<u>71,402</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	10,000	
Transfers out		(8,000)	(8,000)	
TOTAL OTHER FINANCING SOURCES	<u>10,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(54,142)</u>	<u>(68,037)</u>	<u>3,365</u>	<u>71,402</u>
FUND BALANCE - APRIL 1	<u>207,435</u>	<u>207,435</u>	<u>207,435</u>	<u></u>
FUND BALANCE - MARCH 31	<u>\$ 153,293</u>	<u>\$ 139,398</u>	<u>\$ 210,800</u>	<u>\$ 71,402</u>

**VILLAGE OF UNIONVILLE, MICHIGAN
MAJOR STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Intergovernmental revenue	\$ 38,000	\$ 38,000	\$ 45,953	\$ 7,953
Miscellaneous	<u>1,800</u>	<u>1,800</u>	<u>1,192</u>	<u>(608)</u>
TOTAL REVENUE	<u>39,800</u>	<u>39,800</u>	<u>47,145</u>	<u>7,345</u>
EXPENDITURES				
Construction	20,000	20,000	17,408	2,592
Routine maintenance	5,912	7,408	5,837	1,571
Winter maintenance	2,304	2,304	1,530	774
Administrative	3,875	4,037	3,716	321
Maintenance - State trunkline	<u>2,705</u>	<u>2,717</u>	<u>2,013</u>	<u>704</u>
TOTAL EXPENDITURES	34,796	36,466	30,504	5,962
EXCESS OF REVENUE OVER EXPENDITURES	<u>5,004</u>	<u>3,334</u>	<u>16,641</u>	<u>13,307</u>
OTHER FINANCING (USES)				
Operating transfers out	(6,750)	(6,750)	(7,504)	(754)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,746)</u>	<u>(3,416)</u>	<u>9,137</u>	<u>12,553</u>
FUND BALANCE - APRIL 1	<u>120,526</u>	<u>120,526</u>	<u>120,526</u>	
FUND BALANCE - MARCH 31	<u>\$ 118,780</u>	<u>\$ 117,110</u>	<u>\$ 129,663</u>	<u>\$ 12,553</u>

**VILLAGE OF UNIONVILLE, MICHIGAN
LOCAL STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes	\$ 3,000	\$ 3,000	\$ 3,284	\$ 284
Intergovernmental revenue	15,000	15,000	17,052	2,052
Miscellaneous	<u>475</u>	<u>475</u>	<u>360</u>	<u>(115)</u>
TOTAL REVENUE	<u>18,475</u>	<u>18,475</u>	<u>20,696</u>	<u>2,221</u>
EXPENDITURES				
Construction	10,000	10,000	16,497	(6,497)
Routine maintenance	7,681	7,876	6,956	920
Winter maintenance	2,637	2,637	1,609	1,028
Administrative	<u>4,221</u>	<u>4,524</u>	<u>4,186</u>	<u>338</u>
TOTAL EXPENDITURES	<u>24,539</u>	<u>25,037</u>	<u>29,248</u>	<u>(4,211)</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(6,064)</u>	<u>(6,562)</u>	<u>(8,552)</u>	<u>(1,990)</u>
OTHER FINANCING SOURCES				
Operating transfers in	12,000	12,000	20,754	8,754
EXCESS OF REVENUE & OTHER SOURCES OVER EXPENDITURES	<u>5,936</u>	<u>5,438</u>	<u>12,202</u>	<u>6,764</u>
FUND BALANCE - APRIL 1	<u>54,589</u>	<u>54,589</u>	<u>54,589</u>	
FUND BALANCE - MARCH 31	<u>\$ 60,525</u>	<u>\$ 60,027</u>	<u>\$ 66,791</u>	<u>\$ 6,764</u>

**VILLAGE OF UNIONVILLE, MICHIGAN
MUNICIPAL STREET FUND
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Taxes	\$ 13,000	\$ 13,000	\$ 13,014	\$ 14
Miscellaneous	<u>450</u>	<u>450</u>	<u>315</u>	<u>(135)</u>
TOTAL REVENUE	<u>13,450</u>	<u>13,450</u>	<u>13,329</u>	<u>(121)</u>
OTHER FINANCING (USES)				
Operating transfers out	(15,450)	(15,450)	(15,250)	200
EXCESS OF REVENUE (UNDER) OTHER USES	<u>(2,000)</u>	<u>(2,000)</u>	<u>(1,921)</u>	<u>79</u>
FUND BALANCE - APRIL 1	<u>21,363</u>	<u>21,363</u>	<u>21,363</u>	
FUND BALANCE - MARCH 31	<u>\$ 19,363</u>	<u>\$ 19,363</u>	<u>\$ 19,442</u>	<u>\$ 79</u>

ADDITIONAL INFORMATION

VILLAGE OF UNIONVILLE, MICHIGAN

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2005**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>MUNICIPAL STREET</u>	<u>TOTALS</u>
<u>ASSETS:</u>				
Cash	\$ 124,293	\$ 63,738	\$ 19,442	\$ 207,473
Accounts receivable	5,370	3,053		8,423
TOTAL ASSETS	<u>\$ 129,663</u>	<u>\$ 66,791</u>	<u>\$ 19,442</u>	<u>\$ 215,896</u>
<u>FUND EQUITY</u>				
Fund balance - Undesignated	\$ 129,663	\$ 66,791	\$ 19,442	\$ 215,896
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 129,663</u>	<u>\$ 66,791</u>	<u>\$ 19,442</u>	<u>\$ 215,896</u>

VILLAGE OF UNIONVILLE, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
YEAR ENDED MARCH 31, 2005

	MAJOR STREET	LOCAL STREET	MUNICIPAL STREET	TOTALS
REVENUE:				
Taxes		\$ 3,284	\$ 13,014	\$ 16,298
Intergovernmental	\$ 45,953	17,052		63,005
Miscellaneous	1,192	360	315	1,867
TOTAL REVENUE	47,145	20,696	13,329	81,170
EXPENDITURES:				
Streets	30,504	29,248		59,752
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	16,641	(8,552)	13,329	21,418
OTHER FINANCING SOURCES (USES):				
Operating transfers in		20,754		20,754
Operating transfers out	(7,504)		(15,250)	(22,754)
TOTAL OTHER FINANCING SOURCES (USES)	(7,504)	20,754	(15,250)	(2,000)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	9,137	12,202	(1,921)	19,418
FUND BALANCE - APRIL 1	120,526	54,589	21,363	196,478
FUND BALANCE - MARCH 31	\$ 129,663	\$ 66,791	\$ 19,442	\$ 215,896

VILLAGE OF UNIONVILLE, MICHIGAN

**MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Intergovernmental:			
Gas and weight tax	\$ 28,000	\$ 30,018	\$ 2,018
State trunkline	4,000	3,039	(961)
County - Road improvement	6,000	12,896	6,896
Miscellaneous:			
Interest income	1,800	1,192	(608)
TOTAL REVENUE	<u>39,800</u>	<u>47,145</u>	<u>7,345</u>
EXPENDITURES:			
Construction	20,000	17,408	2,592
Routine maintenance	7,408	5,837	1,571
Winter maintenance	2,304	1,530	774
Administration	4,037	3,716	321
Maintenance - State trunkline	2,717	2,013	704
TOTAL EXPENDITURES	<u>36,466</u>	<u>30,504</u>	<u>5,962</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>3,334</u>	<u>16,641</u>	<u>13,307</u>
OTHER FINANCING (USES):			
Operating transfers out	(6,750)	(7,504)	(754)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(3,416)</u>	<u>9,137</u>	<u>12,553</u>
FUND BALANCE-APRIL 1	120,526	120,526	
FUND BALANCE-MARCH 31	<u>\$117,110</u>	<u>\$129,663</u>	<u>\$ 12,553</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Bridge tax	\$ 3,000	\$ 3,284	\$ 284
Intergovernmental:			
Gas and weight tax	15,000	17,052	2,052
Miscellaneous:			
Interest income	475	360	(115)
TOTAL REVENUE	<u>18,475</u>	<u>20,696</u>	<u>2,221</u>
EXPENDITURES:			
Construction	10,000	16,497	(6,497)
Routine maintenance	7,876	6,956	920
Winter maintenance	2,637	1,609	1,028
Administration	4,524	4,186	338
TOTAL EXPENDITURES	<u>25,037</u>	<u>29,248</u>	<u>(4,211)</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(6,562)</u>	<u>(8,552)</u>	<u>(1,990)</u>
OTHER FINANCING SOURCES:			
Operating transfers in	12,000	20,754	8,754
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>5,438</u>	<u>12,202</u>	<u>6,764</u>
FUND BALANCE - APRIL 1	54,589	54,589	
FUND BALANCE - MARCH 31	<u>\$ 60,027</u>	<u>\$ 66,791</u>	<u>\$ 6,764</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**MUNICIPAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Current property tax	\$ 13,000	\$ 13,014	\$ 14
Miscellaneous - Interest income	450	315	(135)
TOTAL REVENUE	<u>13,450</u>	<u>13,329</u>	<u>(121)</u>
OTHER FINANCING (USES):			
Operating transfers out	(15,450)	(15,250)	200
EXCESS OF REVENUE (UNDER) OTHER (USES)	<u>(2,000)</u>	<u>(1,921)</u>	<u>79</u>
FUND BALANCE - APRIL 1	21,363	21,363	
FUND BALANCE - MARCH 31	<u>\$ 19,363</u>	<u>\$ 19,442</u>	<u>\$ 79</u>

VILLAGE OF UNIONVILLE, MICHIGAN

GENERAL FUND SCHEDULE OF REVENUE YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property taxes	\$ 80,585	\$ 81,350	\$ 765
Special police millage	6,871	6,506	(365)
Tax administration fees	1,200	1,179	(21)
Total taxes	<u>88,656</u>	<u>89,035</u>	<u>379</u>
Intergovernmental:			
State revenue sharing:			
Sales tax - Statutory & Constitutional	76,022	69,785	(6,237)
Liquor license	1,000	825	(175)
Total intergovernmental	<u>77,022</u>	<u>70,610</u>	<u>(6,412)</u>
Fines			
Ordinance fines	<u>550</u>	<u>271</u>	<u>(279)</u>
Charges for services:			
Trash collection	<u>32,200</u>	<u>31,232</u>	<u>(968)</u>
Miscellaneous:			
Interest income	10,700	2,031	(8,669)
Tower rent	3,600	3,600	-
Park advertising	300	3,000	2,700
Miscellaneous	<u>4,800</u>	<u>11,372</u>	<u>6,572</u>
Total miscellaneous	<u>19,400</u>	<u>20,003</u>	<u>603</u>
TOTAL REVENUE	<u>\$ 217,828</u>	<u>\$ 211,151</u>	<u>\$ (6,677)</u>

VILLAGE OF UNIONVILLE, MICHIGAN

GENERAL FUND SCHEDULE OF EXPENDITURES YEAR ENDED MARCH 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Council:			
Salaries	<u>\$ 5,250</u>	<u>\$ 1,660</u>	<u>\$ 3,590</u>
Mayor:			
Salaries	<u>900</u>	<u>180</u>	<u>720</u>
Elections:			
Wages	300	-	300
Supplies	<u>500</u>	<u>-</u>	<u>500</u>
Total elections	<u>800</u>	<u>-</u>	<u>800</u>
Clerk:			
Salary	<u>5,216</u>	<u>5,215</u>	<u>1</u>
Treasurer:			
Salary	<u>3,703</u>	<u>3,694</u>	<u>9</u>
Building and grounds			
Telephone	1,700	1,188	512
Utilities	3,949	4,005	(56)
Repairs and maintenance	1,800	881	919
Miscellaneous	200	187	13
Capital outlay	<u>8,500</u>	<u>7,500</u>	<u>1,000</u>
Total building and grounds	<u>16,149</u>	<u>13,761</u>	<u>2,388</u>
Unallocated:			
Office supplies	1,366	1,336	30
Legal and accounting	2,850	1,922	928
Dues and subscriptions	1,500	1,405	95
Silver centennial	15,000	(844)	15,844
Community relations	200	-	200
Printing and publishing	2,500	2,275	225
Miscellaneous	2,776	2,726	50
Seminars	350	-	350
Capital outlay	<u>1,500</u>	<u>1,000</u>	<u>500</u>
Total unallocated	<u>28,042</u>	<u>9,820</u>	<u>18,222</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED MARCH 31, 2005**

EXPENDITURES:(CONTINUED)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Police department:			
Salary - Patrolman	22,333	20,960	1,373
Employers FICA tax	1,702	1,548	154
Supplies	549	548	1
Uniforms and cleaning	150	134	16
Gas and oil	700	517	183
Crossing guard	1,300	1,151	149
Capital outlay	3,500	180	3,320
Insurance	6,801	6,801	-
Repairs and maintenance	754	753	1
Miscellaneous	800	98	702
Total police department	<u>38,589</u>	<u>32,690</u>	<u>5,899</u>
Fire protection:			
Contracted services	7,643	7,643	
Fire hydrant rental	3,795	3,795	
Total fire protection	<u>11,438</u>	<u>11,438</u>	
Department of public works:			
Wages	22,790	21,752	1,038
Street signs	600	200	400
Storm sewer repair	15,000	4,066	10,934
Sidewalks	7,032	7,032	-
Weed control supplies	263	262	1
Supplies	902	883	19
Uniforms	500	73	427
Tree removal	2,500		2,500
Equipment rental	10,000	6,177	3,823
Total department of public works	<u>59,587</u>	<u>40,445</u>	<u>19,142</u>
Street lighting:			
Utilities	10,612	10,612	-
Sanitation:			
Contracted services	32,200	32,111	89
Office supplies	339	339	-
Total sanitation	<u>32,539</u>	<u>32,450</u>	<u>89</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED MARCH 31, 2005**

EXPENDITURES: (CONTINUED)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Recreation and parks:			
Supplies	160	5	155
Utilities	2,000	1,679	321
Repairs and maintenance	3,000	1,516	1,484
Capital outlay	7,000	3,476	3,524
Park improvements	37,300	20,829	16,471
Playground equipment	<u>5,000</u>	<u>73</u>	<u>4,927</u>
Total recreation and parks	<u>54,460</u>	<u>27,578</u>	<u>26,882</u>
Fringe benefits:			
Employers FICA tax	2,849	2,547	302
Health insurance	<u>4,128</u>	<u>4,094</u>	<u>34</u>
Total fringe benefits	<u>6,977</u>	<u>6,641</u>	<u>336</u>
Insurance and bonds:			
General insurance	<u>13,603</u>	<u>13,602</u>	<u>1</u>
Transfers			
Operational transfers out	8,000	8,000	-
TOTAL EXPENDITURES	<u>\$ 295,865</u>	<u>\$ 217,786</u>	<u>\$ 78,079</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**MAJOR STREET FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Construction:			
Contracted services	<u>\$ 20,000</u>	<u>\$ 17,408</u>	<u>\$ 2,592</u>
Routine maintenance:			
Wages	4,908	4,908	-
Equipment rental	<u>2,500</u>	<u>929</u>	<u>1,571</u>
Total routine maintenance	<u>7,408</u>	<u>5,837</u>	<u>1,571</u>
Winter maintenance:			
Wages	1,554	1,333	221
Equipment rental	<u>750</u>	<u>197</u>	<u>553</u>
Total winter maintenance	<u>2,304</u>	<u>1,530</u>	<u>774</u>
Administration:			
Employers FICA tax	528	527	1
Health insurance	1,126	1,125	1
Accounting	450	251	199
Miscellaneous	300	181	119
General insurance	<u>1,633</u>	<u>1,632</u>	<u>1</u>
Total administration	<u>4,037</u>	<u>3,716</u>	<u>321</u>
Maintenance - State trunkline:			
Wages	1,092	813	279
Equipment rental	<u>1,625</u>	<u>1,200</u>	<u>425</u>
Total maintenance - State trunkline	<u>2,717</u>	<u>2,013</u>	<u>704</u>
TOTAL EXPENDITURES	<u>\$ 36,466</u>	<u>\$ 30,504</u>	<u>\$ 5,962</u>

VILLAGE OF UNIONVILLE, MICHIGAN

**LOCAL STREET FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED MARCH 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Construction:			
Contracted services	<u>\$ 10,000</u>	<u>\$ 16,497</u>	<u>\$ (6,497)</u>
Routine maintenance:			
Wages	5,181	4,844	337
Supplies	1,195	911	284
Equipment rental	<u>1,500</u>	<u>1,201</u>	<u>299</u>
Total routine maintenance	<u>7,876</u>	<u>6,956</u>	<u>920</u>
Winter maintenance:			
Wages	1,137	800	337
Supplies	500	499	1
Equipment rental	<u>1,000</u>	<u>310</u>	<u>690</u>
Total winter maintenance	<u>2,637</u>	<u>1,609</u>	<u>1,028</u>
Administration:			
Wages	400	400	
Employers FICA tax	590	453	137
Health insurance	1,251	1,250	1
Accounting	450	251	199
Miscellaneous	200	200	
General insurance	<u>1,633</u>	<u>1,632</u>	<u>1</u>
Total administration	<u>4,524</u>	<u>4,186</u>	<u>338</u>
TOTAL EXPENDITURES	<u>\$ 25,037</u>	<u>\$ 29,248</u>	<u>\$ (4,211)</u>



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CPA's On Your Team

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Village Council
Village of Unionville
Unionville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Unionville, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Village of Unionville, Michigan's basic financial statements and have issued our report thereon dated May 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Unionville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Unionville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Village of Unionville, Michigan, in a separate letter dated May 23, 2005.

This report is intended solely for the information and use of the management, Village Council, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Nietzke + Faupel, PC

NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

May 23, 2005



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CPA's On Your Team

To the Honorable Council Members
Village of Unionville
Unionville, Michigan 48767

The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Village of Unionville, Michigan, for the year ended March 31, 2005, and are submitted for your evaluation and consideration. We would like to emphasize that our audit was conducted for the purpose of expressing opinions on the aforementioned financial statements; therefore, the following comments are not necessarily all inclusive.

CASH AND DEPOSITS

We want to bring to your attention the amount invested in certificates of deposit and the regular checking account at your local bank. All of the accounts are not fully insured by the FDIC. The FDIC has two classifications; time deposits (CD's) and the demand deposits (checking). As of March 31, 2005, \$171,262 was not insured.

BUDGET AND BUDGETARY PROCEDURES

During our audit, we found a few instances where the Village was not in compliance with P.A. #621 regarding budgeting procedures. The Act provides that a local unit of government should not incur expenditures in excess of the amount budgeted. During the year ended March 31, 2005 the Village incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted as follows:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
MAJOR STREET:			
Operating transfer out	\$ 6,750	\$ 7,504	\$ 754
LOCAL STREET			
Construction	10,000	16,497	6,497

INVESTMENT POLICY UPDATE

In March 2003, the General Accounting Standards Board (GASB) issued GASB Statement #40, Deposits and Investment Risk Disclosures. GASB Statement #40 rescinds and supercedes GASB #3 disclosures while adding additional required disclosures.

GASB Statement #40 is effective for periods beginning after June 15, 2004. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. This statement requires a brief description of the deposit or investment policies that are related to the risks that GASB Statement #40 requires to be disclosed, including custodial credit risk, concentration of credit risk, and foreign currency risk.

Page 2
Village of Unionville

The above recommendations are being made in an effort to improve the Village's system of recordkeeping and to aid the Village in conforming to State requirements. If you have any questions regarding these recommendations, please contact us. We are available to assist you with implementing any of the aforementioned recommendations.

We would like to take this opportunity to thank the Village personnel for their hospitality and assistance we received during our audit for the year ended March 31, 2005.

Nietzke & Faupel P.C.

NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

May 23, 2005